



Chapter

10

Post-Retirement Matters

Break-in-Service Rules

Waivers

One Hundred-Day Employment Program

Returning to Work in Full-time Employment

**KTRS Retirees Employed in Part-Time Positions or as
Substitute Teachers**

EMPLOYER RESPONSIBILITIES

The employer is responsible for reporting retirees who return to work, ensuring that they complete a new KTRS membership application (Form F-1 RET), which can be found on the KTRS web site. It is imperative the employers know and understand legislation concerning retirees returning to work to prevent penalties being imposed on the members.

KTRS retirees have a number of options to consider whenever they want to return to work in a KTRS-covered position after retirement. The current options for the retirees returning to work are: (1) waiver, (2) 100-day employee {restricted to members retired as of June 30, 2002}, (3) full-time program, and (4) part-time program.

In each of these scenarios, the retirees' earnings are subject to KTRS contributions. The tax-sheltered contributions are the same rate as active employees (9.855%). Service credit is also earned based on the number of days worked out of a normal contract period for the position in which the employee was working. Employers report the retirees' earnings on the KTRS Annual Employer's Report along with the earnings of their active employees. (See Chapter 5, Annual Reporting)

Retirees who are re-employed in a KTRS-covered position on or after July 1, 2002, will contribute to a second retirement account and earn service credit toward a second benefit. Each retiree will be required to complete a membership application to support the second retirement account, which includes naming a beneficiary for this account. The service credit multiplier will be 2.0% for the first 9.99 years service in the retiree's second account. After 10 years service in the second retirement account, all years service will have a service credit multiplier of 2.5%.

Service credit is earned for days worked. After receiving five years of service credit, a member will have vested retirement benefits. Retirees are not eligible for additional medical benefits, survivor benefits, disability benefits, or life insurance benefits beyond those earned in the first account.

Members who are not vested or who **permanently terminate** their employment may refund their retirement account plus any accumulated interest. Refunds will be made within 90 days of posting the annual reports from school districts/employers. Annual reports are usually posted to member accounts in early September with requested refunds then being processed by December. (See Chapter 9: Refunds.)

BREAK-IN-SERVICE RULES

Legislation passed by the 2002 Kentucky General Assembly requires all new retirees (effective July 1, 2002) to experience a break in service with their previous employer before returning to work either part-time or full-time in a KTRS position. July 2002 retirees returning to work in the 100-day program are exempt from this requirement. This break in service protects the actuarial soundness of the System and is required by the Internal Revenue Service in order for the retirement event to be meaningful. All new retirees who desire to return to work on a **part-time or substitute basis** must experience at least a three-month break before returning to covered employment in a KTRS position.

Part-time/substitute employment is defined as employment for less than seven tenths (.7) of the contract days remaining in the position for which you are being employed. For a normal 185-day employee, this means that they can return to work 129 days. If the employee was hired on January 1 in a 185-day position with 92 days remaining in the contract period, the retiree could only work 64 days in the school year.

All new retirees who desire to return to full-time employment must experience a minimum three-month break in service before returning to work with a different employer or must experience a break in service of one year before returning to work full-time with the same employer. Full-time employment is defined as employment equal to or greater than seven-tenths of the contract days remaining in the position for which you are being re-employed for the remainder of that school or contract year. **Retirees who do not experience the necessary breaks in service will be subject to having their initial retirement application voided.** KTRS retirees who retired during the previous fiscal year are also subject to the same break-in-service requirements before returning to covered employment in a KTRS position in the new part-time and full-time programs this fiscal year. KTRS retirees who retired before July 1, 2001, have been deemed to experience the necessary break in service.

Examples: Teacher A's last date of employment is June 30, 2003. Teacher A wishes to return to work with their present employer and plans to work 129 days out of the 185-day school year. Teacher A must experience a three-month break in service with their current employer. Teacher A returns to work on October 1, 2003 and works 129 days as a teacher. Because Teacher A met the break-in-service requirements, she can work and receive a KTRS retirement benefit at the same time. If Teacher A had returned to work in September 2003, she would have voided her retirement. In doing this she would have been required to reimburse KTRS the retirement annuity she received in July, August and September.

Suppose Teacher A had to return to work full-time with the same employer. She would have been required to have a break in service of one year before returning to work. Therefore, Teacher A could not have returned to work until July 1, 2004. If Teacher A wanted to return to work full-time with a different employer, she could have returned to work on October 1, 2003.

WAIVERS

A retiree who returns to employment as a waiver temporarily forfeits their retirement annuity while they are employed. If the period of employment is for one full contract year or more, KTRS members may elect to have their initial retirement benefit re-calculated using the salaries and service credit earned while on waiver.

All KTRS retirees are reminded that when they return to active employment and are eligible for coverage through the State Group Health Plan administered by the Kentucky Personnel Cabinet, they are required to waive their KTRS medical insurance coverage. Termination of the active employment is considered a qualifying event that permits the member to once again enroll through KTRS for medical insurance. The remaining return-to-work options for retirees place restrictions on either the number of days the retiree can work or the amount the retiree can earn on a daily basis. In addition, the retiree must have experienced a break in service between active employment and the date they return to work after retirement.

ONE HUNDRED-DAY EMPLOYMENT PROGRAM

This program is only available to retirees who were retired as of July 1, 2002. These retirees can elect either the 100-day employment program or choose the full-time or part-time employment program. Upon returning to work, retirees are required to complete a new retiree membership application (Form F-1Ret), which requires them to elect to work under either the 100-day program or the full-time/part-time re-employment programs.

Retirees opting to work under the 100-day program are limited to working 100 days in each fiscal year. Employers are required to keep track of the hours each retiree works each day in the school year. Hours worked in a day less than 3.5 counts as a half day, whereas time over 3.5 hours counts as a full day. Retirees are eligible to work as substitutes under the 100-day program (as well as the part-time program).

If a retiree member elects to work under the new full-time or part-time program, they cannot elect to work as a 100-day employee.

The break-in-service rules do not apply to retirees who are eligible for the 100-day program. The employer reports this information to KTRS on a Retiree Employment Report (Form 30) at year-end. **It is important to note that the days reported on the Form 30 report will more than likely be different from the days paid information reported on the Employer's Annual Report of Earnings.** This program will not be available upon its termination, effective June 30, 2007.

RETURNING TO WORK IN FULL-TIME EMPLOYMENT PROGRAM

The number of retired KTRS annuitants that each KTRS employer can re-employ in full-time positions is limited to 4% of each employer's active full-time non-retired KTRS membership. Additionally, KTRS must provide prior written approval to the employer of each retired KTRS annuitant employed in the new 4% full-time program.

Retirees returning to work in a full-time position have restrictions placed on their earnings. This limit, called the Daily Wage Threshold (DWT), is determined on a daily basis. The DWT represents the maximum daily rate of pay that the retiree may earn on a daily basis by virtue of their return to covered employment without experiencing a reduction in their KTRS annuity payment. The DWT is 75% of the retiree's last daily rate of pay before their initial retirement date for those retirees who retired with thirty (30) or more years of service. All KTRS retirees with a retirement date before August 1, 2002, have a DWT of 75% of their last annual compensation measured on a daily rate.

The DWT is set by statute at 65% of the retiree's last daily rate of pay before their initial retirement date for those retirees who retired after July 1, 2002, with less than 30 years service. The DWT is increased by the Consumer Price Index (CPI) on an annual basis for those retirees who have been retired for one year or more. KTRS retirees who have questions about the break-in-service requirements and/or their daily wage threshold should contact KTRS before returning to covered employment.

KTRS RETIREES EMPLOYED IN PART-TIME POSITIONS OR AS SUBSTITUTE TEACHERS

Beginning July 1, 2002, KTRS service credit is awarded to all retired part-time employees and substitute teachers. Retirees employed in these positions are subject to the DWT earning restrictions as well.

If the retiree chooses to return under the extended provisions of the **Part-time Program** or the **Full-time Program**, one item of compliance with the conditions of re-employment is the 75% or 65% Daily Wage Threshold. If the retired member's salary exceeds the Daily Wage Threshold, the member will have been overpaid. Their retirement benefit and future benefits are reduced on a dollar-for-dollar basis for this overpayment. **(KTRS encourages retired members wishing to return to work under the Part-time Program or the Full-time Program to contact KTRS to receive a calculation of their Daily Wage Threshold.)**

Employers are reminded that the break-in-service rule for retirees returning to work in either the Part-time or Full-time Programs is a minimum of 3 months for returning to work with a different employer and 1 year if returning to the same employer full-time. Failure to adhere to break-in-service rules could void the retiree's retirement, so employers should work with their retired employee to ensure compliance with these rules.

Please contact KTRS if you have additional questions. You can locate relevant information on our web site at www.ktrs.org or you can call 1-800-618-1687